United States
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Foreign Agricultural Service

August 1987

Foreign Agriculture

Exporting Animal Products: The Road to Success

Marketing News

U.S. Wheat Sponsors Baking Expo In Jamaica

U.S. Wheat Associates recently teamed up with Jamaican flour millers and bakers to showcase wheat products at a four-day bakers' exposition in Kingston. The Bakers' Expo highlighted the wide variety of items produced by the Jamaican baking industry and emphasized the significant contribution that the baking industry makes as an employer and producer of basic food items.

Over 20,000 people sampled a wide range of bakery products including traditional Jamaican hard dough bread. A U.S. Wheat baking consultant was on hand to answer questions and supervise production of yeast-raised bakery products, which were distributed to visitors.

U.S. Wheat has worked closely with the Jamaican baking industry for a number of years and has been instrumental not only in providing periodic technical assistance to the industry but also in establishing the Jamaica Baking School and training the school's instructors.

According to U.S. Wheat's assistant regional director Mitchell Skalicky, "The large attendance and obvious enthusiasm for the products on display will help us meet our goal of increasing consumption of wheat-based products in Jamaica."

Export Promotion Funds To Help Increase Pork Sales

Export promotion funds from the **National Pork Board** have helped increase U.S. pork sales overseas this summer. The Board recently allocated $50,000 to the **U.S. Meat Export Federation** for use in consumer product promotions in Japan and Singapore.

In Japan, the Federation will coordinate a U.S. pork promotion in a 25-store supermarket chain, a seminar for meat department managers and advertising and public relations. In Singapore, activities will include a delicatessen promotion featuring U.S. processed pork products and support of a McDonald's McRib (a boneless pork sandwich) campaign.

The money allocated to the Federation is part of $18 million expected to be raised by the national pork check-off program this year. A contract must be developed between the Federation and the Board before the Federation will receive the funds. The Federation currently receives pork industry funding from the National Pork Producers Council.

SUSTA Promotion Scheduled In France

Casino hypermarkets and restaurants throughout France will host a promotion of U.S. foods, sponsored by the **Southern United States Trade Association (SUSTA)** Nov. 1-15, 1987. A representative of the French import group with which the Association is working visited New Orleans recently to discuss the promotion, meet with SUSTA exporters and look for products for the promotion. He found nearly 100 products, which will be narrowed to 60 for the promotion. Last spring SUSTA coordinated an air shipment of product samples from over 70 SUSTA area companies in New Orleans for presentation to Casino promoters in Paris.

Raising Rabbits On Soybeans

In an effort to boost worldwide ranch-raised rabbit production, Dr. Peter Cheeke, a rabbit specialist at **Oregon State University's** Rabbit Research Center, recently spoke in Italy at the **American Soybean Association's** Full-Fat Soybean Conference. Cheeke stressed the relationship between rabbit nutrition and full-fat soybeans, explaining that a diet high in fat and low in carbohydrates is ideal for rabbits, who have a difficult time converting carbohydrates into energy.

The Soybean Association estimates that rabbit production in Italy is growing by 5 percent each year. And while it can't match the soybean demand of some larger meat markets, the rabbit industry is a growing soybean customer.

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Dairy, Livestock and Poultry Exporters Are Following the Road to Success

By Jack Mills

What do a juicy steak, a fashionable leather coat and a dairy cow with designer genes have in common? They were all part of the surge in exports of dairy, livestock and poultry products in 1986 that provided one of the brightest spots in the U.S. agricultural export picture.

Last year, nearly $5 billion worth of U.S. dairy, livestock and poultry products found their way into the hands of foreign consumers.

U.S. dairy, livestock and poultry exports in 1986 increased 10 percent in value over a year earlier, with all of the major commodity groups sharing in the gain. Though export gains this year are not likely to be as dramatic, the 5-percent increase to $5.2 billion is still a healthy one, influenced to a great extent by trade provisions of the Food Security Act of 1985 covering red meats, poultry and dairy products.[1]

Highlights of the U.S. export picture for live animals, meat, animal fats, poultry and other products are given below in order of their value.

Cattle Hides

A global mania for leather jogging shoes is putting smiles on the faces of U.S. cattle hide exporters.

Whole cattle hide exports to all destinations during 1986 totaled nearly 26.7 million pieces, valued at $1.2 billion. While the export volume gained 7 percent, the export value was 22 percent higher than in 1985 because of an average export price increase of 14 percent. The top 10 markets accounted for 93 percent of the value of hide exports.

For the first time, Korea became the top market for U.S. cattle hides, accounting for over 37 percent of U.S. exports by value. Korea has emerged as the world's leading supplier of leather goods. Both domestic and export demand for Korean leather products has fueled demand for hides to supply this industry.

Japan was second with a market share of 25 percent. Others in the top 10 were Taiwan, Italy, Mexico, Canada, Romania, Czechoslovakia, China and France. Four markets—Yugoslavia, China, Romania and Mexico—recorded substantial sales declines, primarily because of high prices and limited availability of foregin exchange.

With the U.S. cattle slaughter in 1987 expected to be about 7 percent less than in 1986, further increases in hide prices are likely this year. As a result, exports are likely to increase slightly in value while continued strong export demand and a weaker dollar will push up volume.

[1] All estimates in this article are as of mid-June.

Red Meats

Menu promotions in overseas restaurants and hotels, as well as extensive product sampling and advertising, have paid off handsomely for the U.S. meat industry. U.S. exports of red meats (beef, veal and pork) during 1986 increased by almost one-third in value, totaling nearly $740 million. Beef and veal exports were the big gainers—up 36 percent in value over 1985. Pork exports increased 10 percent in value, but declined 33 percent in quantity.

Japan continued to be the No. 1 market for beef and pork, accounting for nearly three-fourths of the value of U.S. red meat exports. Exports of beef to Brazil increased from zero in 1985 to 45,534 tons valued at $40.5 million in 1986.

In addition to sales generated by extensive market development efforts, meat sales required by the 1985 Farm Bill also boosted the level of U.S. red meat sales. This legislation mandated that the Commodity Credit Corporation (CCC) purchase and make available for export 91,000 tons (200 million pounds) of red meat to offset the impact of the Dairy Termination Program.

The CCC has sold 90,000 tons of beef to Brazil, 825 tons to the European Community, and donated 5,443 tons to the Department of Defense. In addition, 1,000 tons of pork have been sold to Argentina to satisfy this requirement.

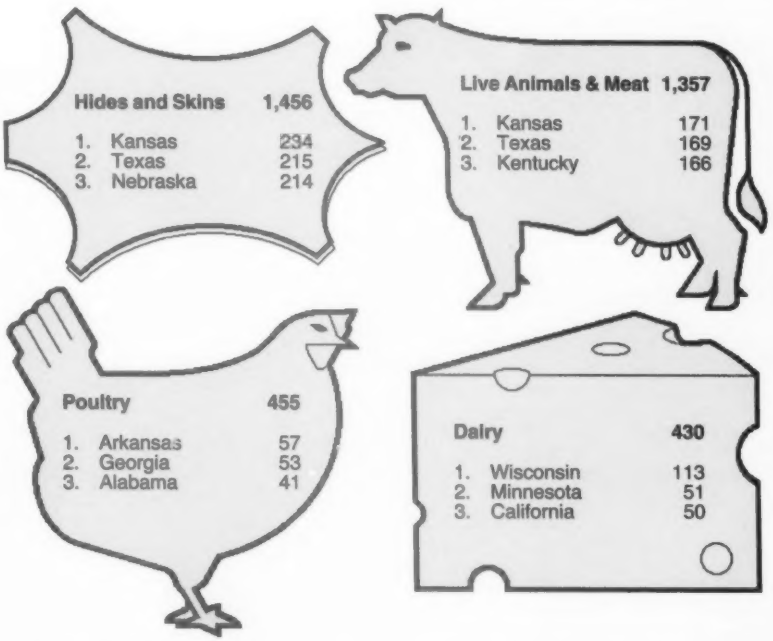
Poultry, Eggs and Products

Exports of poultry, eggs and products during 1986 totaled $504.3 million, a 31-percent increase over 1985. For 1987, USDA estimates a further increase of 21 percent to $610 million.

The increase is largely due to substantial Export Enhancement Programs (EEP) for broilers for shipment to Egypt and Iraq, as well as smaller programs with the Canary Islands and the Dominican Republic.

Who Were the Top Exporting States of Animals and Products in Fiscal 1986?

(Million dollars)



Poultry meat exports, at $319 million in 1986, accounted for almost two-thirds of the U.S. export value of poultry, eggs and products. Increased exports were registered for chicken meat, hatching eggs, egg products and feathers and down.

Chicken meat exports in 1986 were valued at $276 million, of which chicken parts accounted for $227 million. Major markets for chicken parts were Japan, Hong Kong, Singapore, Jamaica, Canada and the Leeward and Windward Islands.

The introduction of the EEP for frozen poultry to Egypt resulted in chicken part sales of $7 million and whole broilers of $14 million, making Egypt the No. 3 market for U.S. poultry meat in 1986. The estimate for exports in 1987 is largely influenced by the EEP programs, which are likely to keep Egypt among the top U.S. poultry meat markets.

The value of egg and egg product exports was $81 million in 1986, a 47-percent increase despite a 10-percent decline in table egg shipments. Strong competition from other supplying countries such as the EC continue to impede U.S. table egg exports. However, the decreased value of the U.S. dollar has improved the U.S. trading position in Japan, the No. 1 market for U.S. egg products.

Dairy Products

U.S. exports of dairy products increased modestly in 1986 and totaled $442 million. Although the United States is not the world's No. 1 dairy exporter, shipments of nonfat dry milk give the United States a significant influence in world dairy trade. Roughly half of U.S. dairy exports in 1986 were of nonfat dry milk, valued at $222 million.

U.S. dairy exports are influenced by a number of government programs, including Public Law 480, Title II donations, Section 416 donations and direct government sales. The major recipients of these programs have been Mexico, Brazil, Mozambique and Guatemala.

In addition, the Food Security Act of 1985 mandated the establishment of the Dairy Export Incentive Program, CCC export sales of dairy stocks and minimum quantities of CCC stocks to be used in international programs.

These requirements, as well as the Dairy Termination Program which reduced milk production and CCC purchases, resulted in a substantial decline in CCC dairy stocks. The export estimate for 1987 anticipates a modest increase in dairy exports, a decline in CCC dairy stocks and strengthened world prices for nonfat dry milk.

Animal Fats and Oils

The trade picture for animal fats and oils was not as encouraging as for the rest of the livestock and product sector. During calendar year 1986, the volume and value of all animal fats and oils exports decreased 7 percent and 34 percent, respectively. The total value in 1986 was nearly $400 million.

The reasons for the decline included financial problems in many developing countries, particularly Egypt, the largest market. In spite of the availability of CCC export credit guarantees, debt repayment problems cut severely into foreign exchange reserves and imports. In addition, competition from palm oil crippled U.S. tallow exports, particularly to Asian markets.

During 1986. U.S. inedible tallow exports were 1.14 million tons, valued at $352.3 million, down 8 percent and 35 percent, respectively, from 1985. Tallow prices during the year began at near-record low levels, improved to year-earlier levels during the third quarter and then leveled off.

The top five tallow markets, each of which purchased over $20 million, accounted for two-fifths of the 1986 export value. Egypt was the No. 1 market, followed by Mexico, Spain, the Netherlands and Pakistan.

CCC Credit Guarantee programs (GSM-102) provided over $100 million in assistance to seven tallow markets—Mexico, Egypt, Korea, Colombia, Guatemala, Turkey, Iraq, Ecuador and Haiti.

The value of U.S. exports of lard during 1986, totaling $23.2 million, was down 13 percent from 1985, despite an export volume of 47,828 tons that was about the same as the previous year. Mexico accounted for the lion's share (87 percent) of U.S. lard exports in 1986.

Variety Meats

Exports of variety meats during 1986 totaled just under a quarter of a million tons, up 1 percent, and had a value of $332.1 million, up 11 percent from 1985. U.S. variety meats are extremely popular in Japan, Mexico, France, the United Kingdom, Egypt and Canada. These six countries accounted for well over three-fourths of the total value of U.S. variety meat sales.

The European Community (EC), where variety meats are a well-known gourmet treat, accounted for one-third of U.S. variety meat exports. In 1986, the EC sauteed, poached and fricasseed 88,498 tons of U.S. variety meats, an increase of 1 percent from 1985.

Leather

Exports of leather to all destinations during 1986 totaled $313.4 million, 10 percent above the same 1985 period. The top 10 leather markets accounted for nearly four-fifths of all U.S. leather exports. Korea was No. 1 with a market share of 17 percent, followed by Canada with a 15-percent share. Others in the top 10 were Italy, China, Hong Kong, Taiwan, Japan, the Philippines, the Dominican Republic and West Germany.

Breeding Cattle

U.S. exports of breeding cattle during 1986 totaled 66,258 head, valued at $89.8 million, 24 percent fewer in number but only 13 percent less in value than in 1985. Shipments to Mexico, at 37,484 head, represented well over half of all breeding cattle exported. Other top markets included Canada, Venezuela, Taiwan, Ecuador, Saudi Arabia and Colombia.

Many of these sales were purchases of dairy cattle made available as a result of the Dairy Termination Program mandated by the 1985 Farm Bill. As of early May, more than 56,000 head of animals had been branded and certified for export. The major recipients were Mexico at 33,703 head (60 percent) and Canada at 13,645 head (24 percent). ■

The author is with the Dairy, Livestock and Poultry Division, FAS. Tel. (202) 447-2461.

MEF Develops Markets for U.S. Meats Worldwide

By Lisa K. Jager

Can "Oishii American Meat—O Yoroshiku" become the "Where's the beef?" advertising campaign of Japan? The U.S. Meat Export Federation (MEF) is hoping the slogan will prompt Japanese consumers into asking "Where's the beef coming from?"

The phrase, which means Delicious American Meat—Try It, is the campaign theme of a $6.5-million promotional campaign MEF is conducting in Japan.

What Is the MEF?

Founded in 1976, MEF is a non-profit, international trade association working to develop overseas markets for U.S. beef, pork, lamb and variety meats. Based in Denver, it also employs representatives in Tokyo, Singapore, West Germany and Venezuela.

MEF's diverse membership includes meat packers, processors, purveyors and exporters; livestock producers and feeders; grain promotional groups and farm organizations; and agribusiness companies.

In addition to its membership fees, MEF also receives funds through the Foreign Agricultural Service (FAS) cooperator program. During the past several years, MEF has received about $1.3 million annually in cooperator funding.

TEA Funds Boost Efforts in Japan and Hong Kong

MEF also received $7 million in each of the first two years of the Targeted Export Assistance (TEA) program. The TEA program, authorized by the Food Security Act of 1985, requires USDA to spend at least $110 million from fiscal year 1986 through 1988 for the promotion of U.S. agricultural products overseas.

From the 1986 funds, MEF allocated $6.5 million to activities in Japan and $500,000 to Hong Kong, allowing a tremendous expansion in market development activities in these two areas. The promotional campaigns include new activities as well as an expansion of ongoing activities.

Educating Japanese Consumers

According to MEF surveys, Japanese consumers are not well informed about the quality and characteristics of U.S. meat and how it differs from meat from other countries.

The purpose of the campaign is to make the qualities and values of grain-fed U.S. meat known to Japanese consumers and the country's meat industry. The timing is ideal because Japanese consumers have begun questioning their country's agricultural production and import practices.

MEF's Tokyo office kicked off this campaign at the Harumi Foodex in Tokyo in March. With TEA funding, MEF developed a booth three times larger than in the past. The large, colorful booth displayed various MEF members' products. Japanese hostesses in red-white-and-blue uniforms distributed samples of U.S. products and surveyed show attendees about their knowledge of U.S. meats.

MEF also featured its successful booth at the Osaka foodex in April. The booth included an area to view two chefs cooking meat samples, including lamb, and a display area for cooked products. At both food shows, media coverage of MEF's booth was extensive.

Advertising Plays Big Role in Campaign

Television and newspaper advertising appeared in Japan in April as part of the TEA campaign. Two television commercials were developed—a city and a country version. The commercials, featuring Americans eating beef, were filmed in Oakland and San Francisco, California. Both versions aired in Tokyo and Osaka.

Newspaper advertisements, which include a series of cartoons, appeared in newspapers in Tokyo and Osaka as well as "pack" newspapers, which are local newspapers published throughout Japan. Advertisements also will appear in women's and general interest magazines.

Trade shows and advertising are just two activities in MEF's TEA program in Japan. Other activities include in-store promotional campaigns, introduction of authentic American dishes in restaurants, a publication that details the U.S. meat process, and cooking demonstrations and seminars for consumers.

News coverage of MEF activities has been extensive. NHK, Japan's news network, filmed various MEF activities in Japan as part of a special segment on MEF.

Hong Kong Chefs Create New Recipes

In Hong Kong, MEF's $500,000 TEA program consists of a twofold campaign—one aimed at Chinese restaurants and the other at homemakers and supermarkets.

The theme of the restaurant campaign is "U.S. Beef Chosen by Top Chefs for Outstanding Quality." Chefs from 30 popular Chinese restaurants in Hong Kong developed three recipes each featuring U.S. beef.

MEF's involvement includes developing materials to advertise the beef dishes and to explain the quality and characteristics of U.S. meat; advertising in local media, including the four most widely read newspapers in Hong Kong; developing a cookbook; and working with the restautants to encourage them to make the U.S. beef dishes a permanent part of their menus.

Campaign Stresses Versatility of U.S. Beef

"U.S. Beef. Good Any Way You Do It" is the theme of the homemaker/supermarket campaign in Hong Kong, which stresses the versatility of U.S. meat in popular Hong Kong dishes served at home.

MEF's involvement includes sponsoring three episodes featuring U.S. meat on a widely viewed women's program; developing a television commercial focusing on U.S. beef; creating supermarket promotions and print advertisements; and sponsoring a demonstration by a locally well-known cook who also developed the recipes.

MEF Targets New Markets

MEF's 1987 TEA allocation of $7 million most likely will be allocated to other areas as well as Japan and Hong Kong. In Asia, MEF has targeted Taiwan as a growth market. Other areas include Southeast Asia, Western Europe, the Latin America/Caribbean region and the Middle East. U.S. meat exports to some countries in these areas have declined due to unfair trade practices.

One area targeted for TEA funding is the Middle East. In 1986, MEF implemented consumer and retail promotions for U.S. beef livers in Egypt, a large market for U.S. variety meats. MEF conducted consumer education programs through Egyptian women's associations.

Variety Meats Promoted in Middle East and Europe

Through retail and restaurant promotions, MEF showed retailers that U.S. variety meat sandwiches were as economical and tasty as the popular Ta'miya (grain) sandwich. These promotions also helped introduce MEF's new point-of-sale materials for the Middle East. Posters, leaflets and calendars featuring colorful photographs of U.S. meat products were developed.

U.S. beef livers also are popular in Spain. In response, MEF's Hamburg office produced a brochure to provide consumers with new recipes using U.S. beef livers. Recipes include beef liver pie and beef liver American-style.

Latin America Targeted for Increased Promotion

In 1986, MEF established a representative in Caracas, Venezuela, to service the Latin America/Caribbean region. As a result, MEF is exploring new markets such as Panama, Brazil and Colombia.

In Panama, U.S. meat imports have decreased during the last several years, primarily because of a high import duty. However, recent activities by the MEF may help turn this trend around.

In fiscal 1986, MEF held a menu promotion in Panama for the first time. U.S. meat was promoted for two weeks at three restaurants. The promotion was extremely popular among traveling businessmen as well as local consumers.

In addition, MEF sponsored three receptions for local members of the meat trade and government. MEF not only renewed the interest for U.S. meats among local chefs, restaurant managers and importers, but was able to present its cases to government officials responsible for setting import duty levels.

Campaign Expands on Past Efforts

In the Caribbean, MEF is coordinating a series of meat seminars, which are an expanded version of successful seminars held in this area in the past. These seminars demonstrate proper meat cutting methods to hotel and restaurant staff and importers, stress the attributes of grain-fed meat, and disseminate nutritional and other information about U.S. meats.

As for Southeast Asia, MEF's Tokyo office successfully introduced Nutri-Facts information in Singapore, just as it previously did in Japan. MEF's Singapore office produced a Nutri-Facts brochure that includes nutritional information about U.S. beef and pork and recipes. The brochure is distributed at trade fairs and supermarket promotions.

Australia Shows Appetite for U.S. Meat

Australia is a potential market for U.S. beef. This may surprise those who think of Australia as a large beef producer and exporter. However, U.S. beef is currently being promoted in this market.

During the America's Cup races, a first-time U.S. beef promotion was held in a Perth hotel and at a large shopping center, with point-of-sale materials provided by MEF. The promotions met with enthusiastic response from tourists and local consumers. Plans are underway to introduce U.S. beef into eastern Australia.

Meat Exports Show Promise

Since the MEF was established 11 years ago, U.S. meat exports have increased steadily nearly every year. In 1986, the United States for the first time exported more than $1 billion worth of beef, pork, lamb and variety meats (offals).

Japan was the leading market for beef and veal, beef offals and pork. Mexico was the leading market for sheep and lamb meat and pork offals, while the United Kingdom was the leading importer of sheep and lamb offals.

The United States can look forward to a continued increase in U.S. high-quality meat exports with the proper market development efforts. Many areas of the world hold tremendous potential. These markets, however, must continue to be explored, serviced, cultivated and developed to gain the maximum market share for U.S. meats. ■

The author is the director of communications for the Meat Export Federation in Denver, Colo. Tel. (303) 399-7151.

U.S. P-O-U-L-T-R-Y Spells Export Success

By John J. Langwick

The past two years have seen exceptional growth in demand for U.S. poultry products overseas, a trend that has moved U.S. poultry and egg exporters closer to the top of the list of success stories in the dairy, livestock and poultry sector.

Export demand for broilers increased by 20 percent in value from 1985 to 1986. This surge is the result of a combination of factors—the decline of the U.S. dollar, low interest rates, low energy and grain costs, and the work of the USA Poultry and Egg Export Council. They all have contributed to the improved ability of U.S. poultry to compete with other exporting countries.

Working against these positive factors, however, are several barriers to fair trade practices that the poultry industry must overcome.

Trade barriers (tariff and non-tariff), special product and labeling requirements and the subsidies of exports by the European Community (EC) and other countries continue to limit the ability of the U.S. industry to compete for its fair share of the international market.

In addition, U.S. exporters face outright bans on importation of poultry in countries such as Korea, Malaysia, Indonesia and Taiwan.

Poultry and Egg Export Council at Work

The USA Poultry and Egg Export Council is playing an important role in the industry's campaign to develop additional export demand and overcome the effects of trade barriers which limit U.S. market share and volume.

The Council stimulates demand through consumer education and product development and promotions. They help pave the way for exporters through negotiations of importer and trade contacts for the U.S. poultry industry. And they work closely with the Foreign Agricultural Service to monitor and overcome trade barriers to the poultry industry.

The Export Council's long-term market effort is funded by industry membership, the USDA's Foreign Agricultural Service and the foreign importers, distributors and merchandisers of U.S. poultry and egg products.

Zeroing in on Potential Markets

Despite obstacles and frustrations, the Export Council has scored some significant gains in the world poultry market. It has helped expand the Egyptian market through a series of educational programs, for example. This led to a 43,000-ton sale of leg quarters and whole birds to Egypt, which, with the help of the Export Enhancement Program, increased the price of broilers by 5 cents a pound on the world market. This increase translated into a $15 million-per-week additional return.

The Council also is turning its attention to the export of broilers and further processed poultry to other countries in the Middle East, as well as Asia.

Rapidly expanding populations, increasing disposable income and a demand for improved diets—coupled with effective market development—will encourage market growth. Over the next two years, growth is estimated to be $200 million in the Far East andd $80 million in the Middle East.

However, without an effective market development effort, such as that provided through the Export Council, the growth may end up benefiting other exporting nations rather than the United States.

EEP Aids Industry

The Export Enhancement Program has helped the U.S. poultry industry regain its share of the international marketplace by providing assistance in recovering markets lost to subsidized competition.

Subsidized competitors, such as the EC, do not have to price their products with regard for the cost of production,

processing and transportation. To help the United States regain some of the markets that have been lost to these competitors, Commodity Credit Corporation stocks are being made available to pay the cost of recovering these markets.

Since the program was initiated, roughly 83,000 tons of frozen poultry and 55 million table eggs have been sold. ■

The author is the executive vice-president of the USA Poultry and Egg Export Council, Tucker, Ga. Tel. (404) 496-0006.

Imported Poultry Breeds Form Base of Taiwan's Industry

By John T. Hopkins

In Taiwan, Western fast-food chains are 'sprouting like bamboo after a spring rain,' as the Chinese say. Since chicken products make up nearly one-quarter of total fast-food sales, this trend means market opportunities for segments of the U.S. poultry industry.

The blossoming of the fast-food industry increased demand for import-type broiler chicken by an estimated 20 to 30 percent in 1986, with continued growth projected for 1987.

Although Taiwan has a ban on importation of chicken meat, there is an excellent market for exports of U.S. breeding stock. Currently, the United States provides much of Taiwan's breeding stock for import types. In 1986, the United States exported $795,000 worth (128,000 chicks) of baby chickens (breeding stock) to Taiwan—14 percent of U.S. total exports to that country.

Old and New Worlds Meet in Taiwan

The Taiwan poultry market is a mixture of the old and new. Consumers can choose from three types of broilers, the old or native type, the new or import type, and an in-between which is called the simulated native.

The native type is just that, chickens which are indigenous to the island. Production is estimated at about 24 million head annually. These chickens are raised by families in their backyards and rarely marketed.

Imported breeds were introduced into Taiwan about 20 years ago and by 1985 accounted for an estimated 11.4 million head. The American Institute in Taiwan estimates that in 1986 imported types began to take a much higher proportion of the chicken population and meat production, but data are not yet available.

The third type of chicken, simulated native, is a cross between native and imported breeds. Their meat is more chewy than imported breeds and is considered more flavorful by Chinese, so this breed brings a higher price than the other two breeds.

However, increased demand for import-type broilers has caused many raising farms to switch production from the simulated native type to the faster growing import breeds. The demand increase is fueled by the growth in the fast-food industry and the increasingly modern lifestyles of Taiwan consumers.

Import breeds, predominantly supplied by U.S. producers, may soon replace the crossbred simulated native as Taiwan's dominant source of chicken meat.

Changes in Poultry Processing

The modern lifestyles of Taiwan's urban consumers also are forcing changes in the island's poultry processing industry. Until recently, most consumers insisted on selecting live birds which were slaughtered and plucked on the spot. Consumers thought this guaranteed that meat came from healthy birds; frozen or chilled chicken generally was suspect.

But in the past two years this situation has changed, especially in the larger cities like Taipei and Kaohsiung. In Taipei, 20 large, modern supermarkets now cater to busy, urban consumers who prefer packaged, prepriced meat selected in sanitary, air-conditioned surroundings. Most meats are sold frozen or chilled, a trend which is projected to continue.

Taiwan's processing industry may not be able to meet this demand for processed, chilled and frozen chicken meat. Currently there are only five medium-sized slaughter/processing/freezing plants on the island. Four are semi-automated and the fifth still slaughters by hand. Only one plant is equipped to manufacture some of the fast-food products.

The Taiwan poultry market is ready for many structural changes, including a more efficient marketing and processing system with high-capacity slaughter/freezing facilities.

So in addition to a market for breeding stock, Taiwan offers a market for poultry processing equipment as well. ■

The author is chief of the agriculture section of the American Institute in Taiwan.

Fact File:

Market Development Cooperators Help Boost Overseas Sales

Whether you're a foreign importer interested in finding suppliers of high-quality U.S. beef or bull semen, or a U.S. exporter of chicken parts or leather looking for marketing opportunities, one of the most important sources of information for you is the team of market development cooperators that promote a variety of dairy, livestock, poultry and seafood products. In cooperation with the Foreign Agricultural Service, these cooperators, which are similar to commodity associations, conduct projects overseas that acquaint potential foreign customers with U.S. agricultural products to show them how these products might be used to their benefit. This helps create or stimulate demand for U.S. exports. Many of these cooperators also have overseas offices, located in key markets for their products. Below is a listing of the home and overseas cooperators involved in dairy, livestock, poultry and seafood promotion.

American Catfish Marketing Association
Catfish Farmers of America
P.O. Box 34
Jackson, Mississippi 39205
George Williams, Executive Director
Phone: (601) 353-7916
Telex: 585472

American Jersey Cattle Club
P.O. Box 27310
Columbus, Ohio 43227
Maurice E. Core, Executive Secretary
Phone: (614) 861-3636, 864-2409

American Legend Cooperative
P.O. Box 58308
400 Strander Boulevard
Seattle, Washington 98188
Mr. Thomas P. Haass, Chief Executive Officer
Mrs. Phyllis Mossman, Administrative Assistant
Phone: (206) 244-1303

Overseas Offices:

American Legend Cooperative
20th Floor, East Tower Building
41 Lockhart Road
Hong Kong
Louis Ng, Marketing Representative
Phone: 5-8610707

American Legend Cooperative
E.P.R.
Viale Vittorio Veneto 22
Milan, Italy
Elena Capra, Marketing Representative
Phone: (02) 6573035

American Legend Cooperative
Yamano & Associates
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1-1-20 Azabudai, Minato-Ku
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U.S. Exports Help Venezuelan Dairymen

By David Young

To achieve self-sufficiency in milk production, Venezuelan dairymen have turned to U.S. dairy genetics and technology. The move is encouraged by Venezuela's government, which provides subsidized credits for importing dairy breeds and semen, as well as long-term credits for developing the dairy infrastructure.

The efforts have paid off for both nations. In 1986, the value of U.S. exports of dairy cattle to Venezuela rose 14 percent over the previous year to $6.3 million, while the value of U.S. bull semen exports nearly tripled to $2.6 million.

The purchases allowed Venezuela to increase milk production about 3 percent in 1986 and slash imports of whole dry milk by more than half to about 23,000 tons.

In total, Venezuela imported 7,500 head of dairy cattle in 1984, 6,750 head in 1985, and 19,400 in 1986.

The United States supplied over half of these imports in 1984 and 1985, and about 43 percent in 1986. Canada and New Zealand are the main competitors of the United States in this market.

In order to promote imports of the highest quality cattle, Venezuela requires that all imports of female dairy cattle be pregnant heifers, normally three to six months pregnant.

Exchange Rate Boosts Imports

To encourage dairy cattle imports, Venezuela provides a preferential exchange rate of 7.5 bolivares (Bs) to the U.S. dollar for the c.i.f. value of up to $1,700 per head for pregnant heifers. The market rate in mid-June was about Bs30 to the U.S. dollar, resulting in a import subsidy for dairy cattle of about three-fourths of the actual market exchange rate.

Holsteins are the most numerous breed imported due to their high milk productivity. They accounted for about 89 percent of Venezuela's dairy cow imports in 1986. The United States supplied about 44 percent of these, with Canada and New Zealand supplying the rest.

Brown Swiss are another popular breed imported, totaling about 3 percent of Venezuela's dairy cattle imports in 1986. Brown Swiss are imported primarily due to the higher fat content of their milk, which is valued for cheese production.

The $1,700-per-head maximum price allowed for dairy cattle imports under the maximum rate, however, tends to discourage imports of the more expensive Brown Swiss cattle. The United States supplied all of Venezuela's Brown Swiss imports in 1986.

Exchange Rate Aids Semen Imports

Encouraged by the low preferential exchange rate for most of the year, Venezuela's imports of animal semen jumped from $688,000 during January to September 1985 to $2.4 million during the same period in 1986. Shipments from the United States accounted for nearly 90 percent of these imports. U.S. census data show U.S. exports of bull semen to Venezuela in 1986 totaled $2.6 million.

In December 1986, Venezuela raised the preferential exchange rate for semen imports from Bs7.5 to 14.5 per U.S. dollar. Despite this action, Venezuela is expected to remain a leading market for U.S. semen in 1987, given the increased interest generated by the dairy development programs in artificial insemination.

Use of artificial insemination in Venezuela is at a low level but is increasing. Local cheese producers are encouraging its use by buying semen for dairymen, with the cost deducted from the price of the milk.

The Venezuelan government must approve all semen imports, and quotas may be imposed on individual importers. In early 1987, Venezuela limited import permits for semen and reduced quantities for individual importers.

Import Outlook Continues Good

Venezuela's imports of dairy cattle in 1987 are expected to remain large, though they are not expected to reach the exceptionally high level of 1986. Due to imports of large numbers of high-quality dairy cattle in the past few years and the efforts of a U.S. industry-led dairy program, Venezuelan dairymen are intent on continuing to improve the quality of their dairy herds.

The number of dairy cattle imported in 1987 will depend primarily on whether Venezuela retains the current preferential rate for dairy cattle imports and if it limits the total funds available under the preferential exchange rate for these imports. Smaller-than-expected petroleum export revenues over the past year have put pressure on Venezuela to reduce or eliminate the preferential exchange rates.

U.S. Technology Shares in the Credit

Changes in the dairy situation in Venezuela are due in part to the work of the Foreign Agricultural Service (FAS) and the six FAS cooperators which are contributing to the development of Venezuela's dairy industry through participation in the Multi-Cooperator Dairy Improvement Program begun in 1984.

U.S. cooperators involved in the program include the U.S. Feed Grains Council (coordinator), Holstein-Friesian Association of America, Brown Swiss Cattle Breeders Association, National Renderers Association, National Association of Animal Breeders and the American Soybean Association.

The objective of the program is to help Venezuela improve the efficiency of its dairy sector and increase its milk production by making available U.S. technology and laying the groundwork for a more productive dairy sector.

During 1984-86, the program focused on selecting demonstration farms, conducting seminars with U.S. consultant teams in different regions and the design and distribution of technical literature.

This year, the emphasis is on seminars with dairy extension services, concluding technical agreements between universities and demonstration farms and providing field laboratory courses.

Plans for next year and beyond are to strengthen extension organizations and ultimately transfer the technical assistance program to local organizations while retaining U.S. advisory functions.

U.S. cooperators believe the program's success is due partly to the significant contributions from the Venezuelan government and the private sector.

The Venezuelan Agricultural Credit Fund has supported the project with increasing grants for three years. Venezuelan milk companies, several universities and regional veterinarian and cattle associations also have contributed funds and goods or services to the project.

Moreover, by combining resources, FAS believes that the cooperators have been more effective in promoting Venezuela's dairy sector and U.S. exports than they would have had they worked individually. ■

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European Community Dominates International Dairy Markets

By Gregg Young and Bill Paddock

The European Community (EC) produces nearly one-fourth of the world's milk and is the largest dairy exporting region, followed by New Zealand and the United States. Because of its dominant position, the programs of the EC dairy sector are closely watched by the United States and other competitors. This month ***Foreign Agriculture*** *examines the programs and policies that have helped make the EC No. 1 as well as the steps they are taking to alleviate the problem of producing too much milk.*

Dairy farming is the most important agricultural activity in the European Community. Milk accounts for nearly one-fifth of agricultural production and meat produced from dairy animals represents a major share of EC beef output.

The Community leads the world in exports of dairy products. In 1986, the EC's share of trade was 37 percent for butter and butter oil, 47 percent for cheese, 20 percent for nonfat dry milk and 43 percent for casein.

Management of Dairy Product Market

The aim of the EC dairy policy is to manage markets for dairy products in order to secure favorable product prices and ensure dairy farmers a "fair standard of living."

Basic management of the dairy product market was instituted in 1964 when the EC Council set the first annual "target" price for milk for each member state.

The target price is a minimum price which the Community seeks to obtain for producers. The current target price in U.S. dollars is around $14.52 per hundredweight, based on an April 1987 exchange rate.

Intervention Program Helps Maintain Target Prices

The EC's dairy policy employs several market mechanisms in order to achieve farm income goals, the most important of which is intervention. To help maintain target prices the EC buys butter, skimmed milk powder and certain Italian cheeses at "intervention" prices. Intervention purchasing stabilizes, at a higher level, both producer and retail prices.

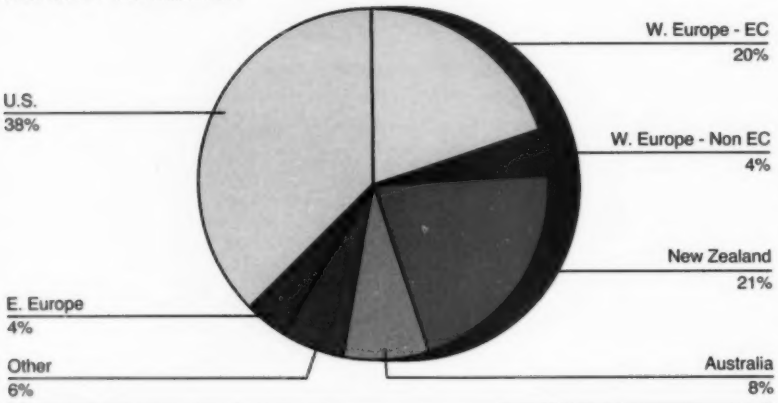
Intervention agencies are required to remove from the market at set prices products offered to them. Selling to regulatory agencies of member states is a dependable market, eliminating marketing efforts and risks. However, only limited outlets exist for accumulated surpluses.

Subsidies Are Short-Term Solutions

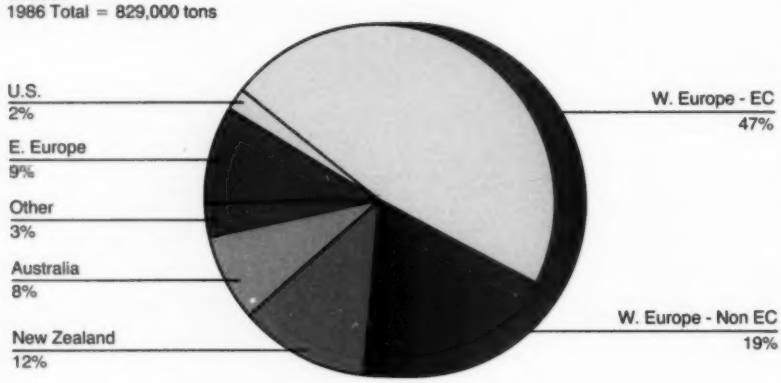
The EC also finances programs to encourage more consumption. These include use of fluid milk in school lunches, use of butter in confectionery and ice cream manufacture, reduced butter prices to recipients of social assistance, and reduced prices for "cooking" butter oil.

How the U.S. and EC Stack Up in World Dairy Trade

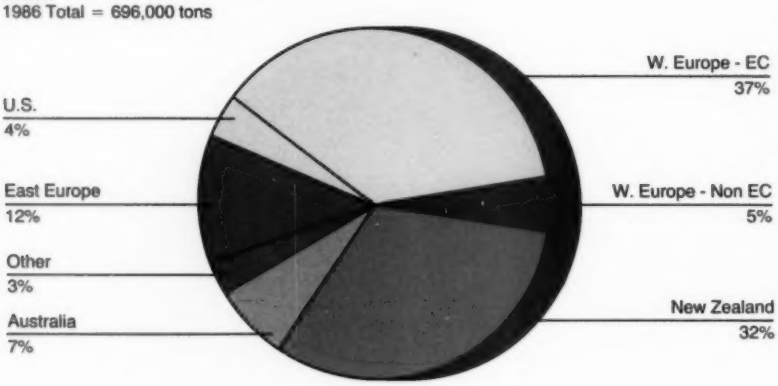
Nonfat dry milk
1986 Total = 1.05 million tons



Cheese
1986 Total = 829,000 tons



Butter
1986 Total = 696,000 tons



Surplus nonfat dry milk is returned to the farm for special livestock and poultry feeding programs.

Special subsidies also allow liquid skim milk to be converted into casein.

Subsidized consumption of dairy products in the EC has helped increase consumption, but is very expensive. Furthermore, these subsidies do not provide long-term solutions to the structural imbalances.

Export Subsidies Help Move Surplus

The EC not only subsidizes domestic utilization of dairy products, but also provides export subsidies to dispose of surplus products. Through a system of export restitutions dairy products can compete with the much lower world market prices.

By June 1987, the EC was paying exporters a subsidy of up to 2,190 ECU's ($2,500) per ton on butter and 1,095 ECU's ($1,250) per ton on skim milk powder for export to third world countries. These subsidy levels are between 60 and 70 percent of the support (intervention) price for butter and skim milk powder in the EC.

Export refunds (subsidies) for dairy products comprise the largest single budgetary outlay in maintaining the dairy sector, amounting to 2.0 billion ECU's ($2.3 billion). As a result, budgetary considerations have a marked influence on EC dairy policy.

Shift to Supply Management

In an effort to contain soaring costs, the EC adopted a five-year milk delivery quota program in 1984 to reduce surplus output. The quota was set at 99.5 million metric tons, a 5-percent reduction from 1983 deliveries. The new system represented a policy shift to supply management.

Deliveries of milk dropped sharply during the first year of the program and quota levels were nearly met. In 1985/86, deliveries exceeded the quota by 1 percent (about 900,000 tons). Although milk production dropped, the EC Commission estimated that output was still 12 million tons above domestic

utilization and subsidized commercial export sales.

By the spring of 1986, further adjustments clearly were necessary. The EC Council decided to cut quota levels by 2 percent for the 1987/88 marketing year and another 1 percent in 1988/89.

"Outgoers" Program Enacted

To compensate dairy farmers for abandoning production, the EC enacted an "Outgoers" program. The program is similar to the U.S. Dairy Termination Program (DTP) except that EC producers must retire their dairying activities permanently rather than for five years as required by the DTP. Also, under the U.S. program, producers bid for an individual level of compensation while the EC provides a flat rate.

Before the quota cuts went into effect, however, slack global demand for dairy products and the specter of radioactive milk within the Community resulting from the explosion of the nuclear power plant in Chernobyl limited the EC's ability to dispose of mounting milk surpluses. Even more importantly, the EC faced significantly higher dairy product export subsidies.

New Problems Call for Reform

With the declining value of the U.S. dollar, the EC's unit value outlays for export restitutions increased rapidly. In addition to the foreign exchange factor, high EC dairy stocks contributed to already depressed world markets and the gap increased between EC intervention levels and world prices, thus forcing the EC to raise subsidy rates.

Bulging stocks and soaring costs of the dairy program have led the EC to a renewed reform agenda. The provisions are aimed at stricter quota system enforcement and tighter intervention arrangements—hence more dependence on market-oriented forces.

Movement towards a solution of the problems in the EC's dairy sector largely reflects the degree of political will. This was the case as the ministers of agriculture adopted a set of fundamental reforms for milk products and beef/veal last December.

This political agreement is one of the most important decisions since the inception of the Common Agricultural Policy (CAP). As a result of the ministers' decision, containment of expanding surpluses and sounder market conditions are anticipated.

Plan Calls for Production Cuts

A 9.5-percent total reduction in milk deliveries by April of 1989 was the focal point of the agreement. This sizable cut in production is sought primarily through across-the-board cuts in the producers' guaranteed reference quantities which represents 8.5 of the 9.5-percent reduction.

The 8.5 percent includes the already implemented 2-percent cut in 1987-88, the 1-percent cut in 1988-89, plus an additional 4-percent cut in 1987-88 and a 1.5-percent cut in 1988-89.

Stricter application of regulations is expected to account for a further 1-percent reduction in milk deliveries.

The EC's newly imposed quota cuts should help alleviate the enormous over-production situation. However, since many of the details of the program have not been finalized, some question remains about the degree to which each member state will be able to fulfill the specific reforms.

Intervention Purchasing Limited

A significant policy change for the 1987-89 dairy marketing years is the limiting of intervention purchasing. Intervention for skimmed milk powder has been suspended from September 1 to February 28.

The new measures also give the Commission limited authority to suspend intervention purchases of skimmed milk powder and butter during the other six months. Suspension is to occur temporarily and only in exceptional circumstances.

Special Measures To Draw Down Stocks

As a result of the December 1986 compromise, a special two-year dairy disposal program has been established to remove from intervention stocks 1.03 million tons of butter (80 percent of total intervention).

The initiatives include subsidies to promote surplus butter as a feed ingredient and for processing into industrial products such as paint and fuel. Butter under this program has been practically given to processors—costing only around $80 per ton.

The total cost of the disposal program is estimated at 3.2 billion ECU ($3.7 billion) and is to be paid by the member states with reimbursement beginning in 1989.

During 1987, 400,000 tons are slated for export, 200,000 for animal feed, 100,000 for non-food use and 65,000 for special consumer programs. A significant portion of the export quantity was sold to the Soviet Union early in 1987. This special sale included 281,000 tons of butter at about $250 per ton. In 1988, 200,000 tons will be used for feed and 65,000 for consumers. ■

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Export Future Looks Promising For Aquaculture Industry

By Dale R. Miller

Growing consumer demand for fish is keeping the world's fishing fleets working overtime, and creating the potential for a booming export market for U.S. aquaculture products.

According to the United Nations Food and Agriculture Organization (FAO), demand for aquatic foods will reach 242 billion pounds by the year 2000, and production will fall short by 44 billion pounds.

As a result, aquaculture—the controlled cultivation and harvest of aquatic plants and animals—is becoming a significant worldwide food source.

Currently, global aquacultural production is nearly 22 billion pounds a year, ranking fourth in meat production behind beef, pork and poultry.

Aquaculture Improvements Mean Less Costly Products

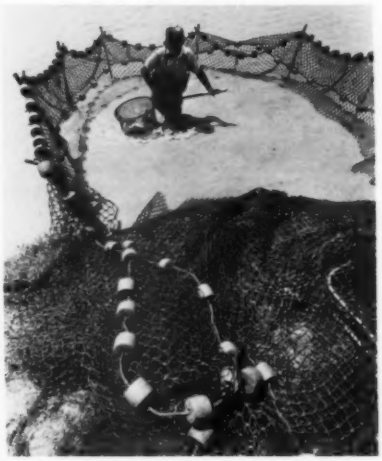
Although still in its infancy compared to today's poultry and red meat industries, fish farming is nonetheless making a whale of a leap forward. Large, cost-effective production facilities, new technologies, genetic research and computer-controlled feeding systems are producing a consistently better product.

As efficiency improves, the cost of producing farm-raised fish declines, resulting in a less-costly product. Meanwhile, the ocean fishing industry is forced to pass on to consumers the rising cost of catching dwindling supplies of wild fish.

Consumption and Production Rising

In recent years, consumers have been including more fish in their diets. Reasons include recent medical reports praising the health benefits of fish consumption; taste and nutrition; price; and the versatility of fish in cooking and processing.

Contributing to the burgeoning worldwide demand for both freshwater and marine fish are the facts that restaurants and caterers are offering fish dishes more often, and supermarket chains and retail outlets are installing more fresh-fish display counters.



The typical U.S. household consumes four basic fish species: tuna, shrimp, flounder, and cod. However, consumers in other parts of the world tend to eat more kinds of fish, which means opportunity for U.S. producers.

In 1980, U.S. aquaculture produced 200 million pounds of fish which included trout, oysters, catfish, salmon and crawfish. Today, U.S. production exceeds 500 million pounds with about half being catfish, 15 percent crawfish and 10 percent trout.

Long-Term Development Necessary

The export future for these products appears profitable, if the U.S. aquaculture industry is willing to follow long-term marketing strategies.

By thoroughly researching the market, the exporter can learn a great deal about prospective buyers and the products they want. Those who are willing to modify their products to meet foreign regulations or cultural preferences stand the best chance of tapping the market.

Maintaining consistent quality, price competitiveness, personal contact and commitment are other key ingredients in successful marketing.

When searching for new markets, U.S. exporters could benefit by developing new products for fast food, convenience and retail markets. Outlets also need to be developed for fish meal and oil.

Packaging, marketing and advertising will take on added significance as producers try to develop markets both at home and abroad for new products like fish sausage, fish snack foods, and imitation seafood products made from less-expensive fish.

Product Awareness Important

The largest barrier for U.S. farm-raised fish is the lack of product awareness by foreign consumers. This problem can be overcome by participation in international food shows and through sales missions.

For example, the Foreign Agricultural Service (FAS) is cooperating with the Catfish Farmers of America in promoting the use of catfish overseas through product samplings, cooking demonstrations and promotional publications.

FAS Supports Industry Activities

FAS also is working closely with the U.S. aquaculture industry in developing overseas markets.

FAS supports a number of industry activities in Europe and the Far East to promote U.S. farm-raised fish.

Industry studies identify these two regions as the export markets with the most potential for U.S. freshwater fish products. This is due, in part, to increased consumer spending power and a growing awareness of the importance of a nutritious diet.

Like other foods traded in the world markets, fish are not free of trade barriers. Therefore, FAS is active in identifying trade barriers that can be addressed to provide wider market access.

FAS also provides trade leads through its worldwide network of agricultural attaches; supplies lists of industry and government contacts; and guarantees credit extended by U.S. banks to foreign buyers. ■

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Dominican Republic

Imported Woods Popular In Buildings for Tourist Trade

The tourist industry is expanding rapidly in the Dominican Republic and offers opportunities for U.S. wood products suppliers. The Dominican Republic's tourist sector is encouraging wood construction and government officials are considering a 40-unit tourist villa and a 50-unit wood housing project. Although some projects already have used wood extensively for interior trim work, there are opportunities for expanding the market for structural applications, especially for treated lumber for roofing systems.

The U.S. wood products industry is supporting the heightened interest in wood and built six low-income wood demonstration housing units in the Dominican Republic last year. In the first quarter of 1987, the United States exported approximately $3.5 million worth of softwood lumber to the Dominican Republic, more than doubling last year's first-quarter exports.

Concrete continues to be the primary construction material for basic wall and foundation members in the Dominican Republic. However, the boom in tourist-related and general construction in late 1986 and early 1987 has raised the price of concrete by 25 percent over year-earlier levels. As a consequence, imported woods are becoming more competitive in price with locally produced concrete and masonry.

Materials for use in the tourism industry—such as wood products for the construction of roof rafters and trim work—may be imported duty-free under a special tourism incentives law.—*Lloyd Harbert, Agricultural Attache, Santo Domingo.*

Egypt

Wheat Forms Basis of The Egyptian Diet

Wheat forms the basis of the Egyptian diet. Per person, Egyptians use about 160 kilograms a year. However, not all of this is eaten. A large part may be lost in the marketing channels, fed to animals or simply thrown away when products are no longer fresh. Extremely low prices and virtually unlimited supplies are not conducive to conservation.

In 1985, the government doubled the price of the staple bread, but the increase had no effect on consumption. More wheat is moving into the production of pastries, and higher quality breads, as well as into pasta-making. Egyptian families rarely buy flour for baking in the home, but rather buy the finished product. This all adds to the cost of the "bread" subsidy which the Egyptian government is finding more difficult to finance. Bread is politically sensitive in Egypt, however, and any price increases to lower demand and subsidy costs will be slow in coming.

The "aish baladi" loaf made from 82-percent extraction flour is the most widely consumed bread in Egypt. In addition, there is a popular loaf made of 72-percent flour called "aish shami" which sells for the same price as aish baladi but has a lower weight.

Leavened breads are becoming more popular in Egypt, marketed largely through private European-style bakeries. Recently, a high-quality aish baladi-style loaf appeared on the market. Made and sold illegally, it sells at two to five times the price for regular aish baladi. But because of its high quality, it is in strong demand even in the poorer sections of Cairo. Both Egyptian and European-style pastries are consumed widely as well. All these products are produced in bakeries rather than in the home.

The popularity of pasta products also is increasing in Egypt. Pasta is produced by both the private and public sectors. The private sector uses a high-quality imported Turkish semolina, while the public sector uses ordinary 72-percent extraction flour. Both produce a low-quality but highly demanded pasta.—*Gerald Harvey, Agricultural Counselor, Cairo.*

Korea

Food and Beverage Sales to U.S. Outpace Purchases

U.S. imports of processed foods and beverages from Korea came to $41 million in 1986, more than twice the value of U.S. exports of similar products to Korea. By exploiting U.S. consumers' growing interest in novel food items, along with providing for ethnic food requirements of Asian immigrants, Korean manufacturers have more than doubled their U.S. sales over the past five years. Meanwhile, U.S. food and beverage sales to Korea actually decreased Korean government effort to minimize imports of consumer goods, particularly those in the agricultural sector.

Although some of the growth in Korean food exports to the United States can be explained by the desire of America's rapidly expanding Korean/American population to obtain ingredients for traditional cooking, Korean sales in general are benefiting from expanding interest in exotic and unusual food products throughout the United States.

In contrast, U.S. food and beverage exports to Korea dropped by almost one-third in 1986. The reasons for the decrease were various, but only in the case of raisins could third-country competition be credited as the primary reason for lower sales.

U.S. beef exports, previously permitted for tourist hotel/restaurant use, were abruptly terminated in mid-1985, leaving only sales to the catering services which prepare in-flight meals in international airports. Frozen potato imports (except those for tourist hotels) were cut off to force Korean and foreign fast-food restaurants to support an infant potato processing industry. Dried vegetable imports were cut back through use of the Korean government's "surveillance" system after a substantial trade in dried onions, dried garlic and dried potatoes had sprung up. General imports of a few types of U.S. fruit have been permitted, but quarantine restrictions pose formidable barriers to growth both in the volume and the range of fruits imported.

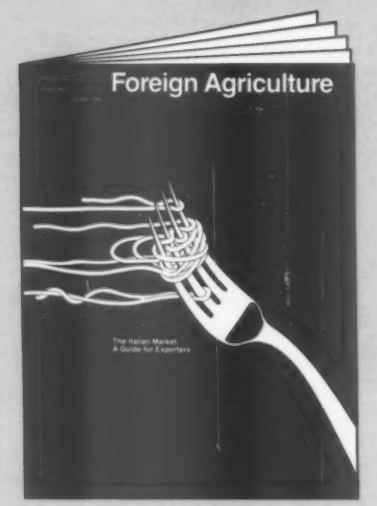
The prospect for any increase in U.S. consumer-ready food product sales to Korea is, at best, clouded. The Korean government's market-opening moves over the past few years have offered some new opportunities for U.S. agricultural exporters, but most will demand substantial investment in advertising and promotion to produce sales, since Korea has been most willing to permit imports of such unfamiliar products as turkey, grapefruit and cranberry juice. However, even after these items are removed from Korea's restricted list, duties are still in excess of 40 percent, which is a serious impediment to consumer acceptance in a country with a per capita gross national product of about $2,500 a year.—*Daniel B. Conable, Agricultural Counselor, Seoul.*

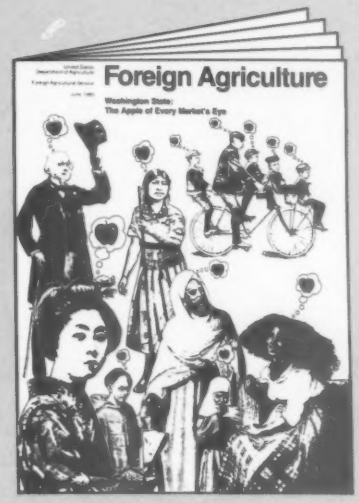
Switzerland

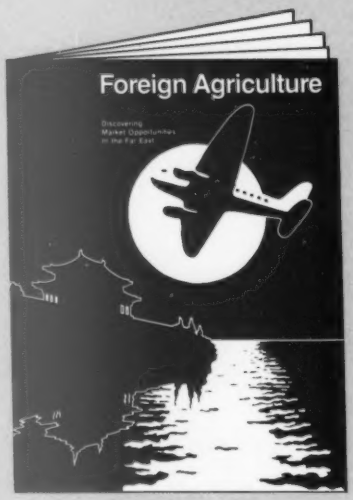
Pet Foods Offer Potential For U.S. Exporters

Switzerland has some 700,000 cats and 400,000 dogs—with the result that pet foods form a very important group of products in the Swiss foodstuff sector. Industry representatives claim that pet-food sales have doubled during the past 10 years—and they expect that sales will even rise at a higher rate during the near future. Canned items constitute about two-thirds of the dog food sales and three-fourths of the cat foods.

Because Switzerland is only 15 percent self-sufficient in pet-food output, on a finished product basis, imports have been rising sharply and are now up to 49 million metric tons. Imports from the United States amounted to about 1.1 million tons, or roughly 2 percent. There is considerable room for U.S. exporters in the Swiss market, although extensive advertising is required in order to introduce a new brand.—*Anthony N. Cruit, Agricultural Counselor, Bern.*







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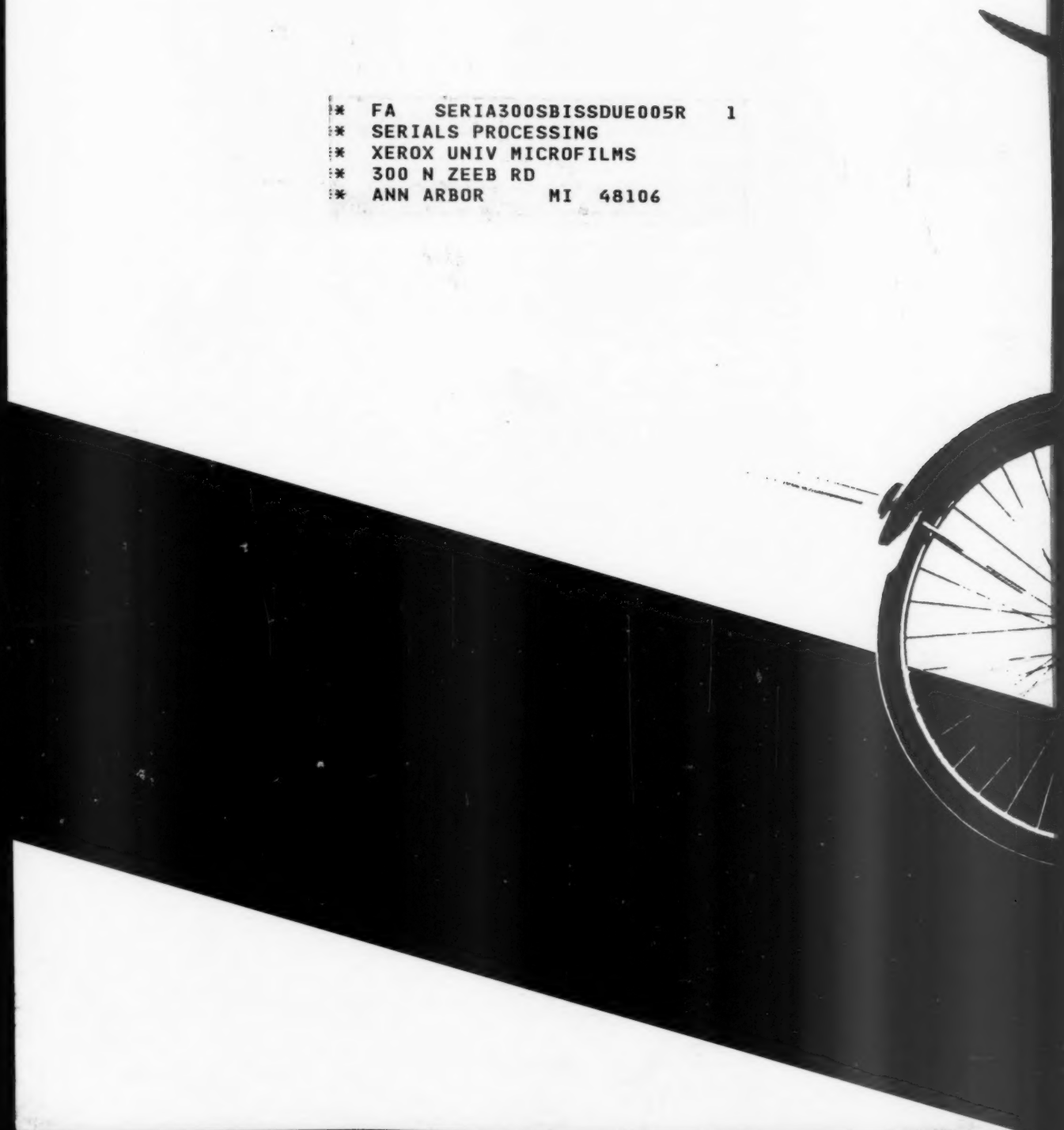
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